

FREQUENTLY ASKED QUESTIONS
BANK INDONESIA CIRCULAR NO. 17/11/DKSP DATED 1 JUNE 2015
CONCERNING MANDATORY USE OF RUPIAH
WITHIN THE TERRITORY OF THE REPUBLIC OF INDONESIA

A. GENERAL REVIEW

1. What are the underlying considerations for issuing this Bank Indonesia Circular?

This Bank Indonesia Circular has been issued in view of the necessity to enact provisions for implementing Bank Indonesia Regulation Number 17/3/2015 concerning Mandatory Use of Rupiah within the Territory of the Republic of Indonesia (State Gazette of the Republic of Indonesia Number 70 of 2015, Supplement to the State Gazette of the Republic of Indonesia Number 5683).

2. What is the legal basis for Bank Indonesia to issue this Bank Indonesia Circular?

Bank Indonesia has issued this Circular on the basis of the mandate of Article 22 of Bank Indonesia Regulation Number 17/3/PBI/2015 concerning Mandatory Use of Rupiah within the Territory of the Republic of Indonesia (State Gazette Number 70 of 2015, Supplement to the State Gazette of the Republic of Indonesia Number 5683), which stipulates that further provisions to this Bank Indonesia Regulation shall be stipulated in a Bank Indonesia Circular.

3. What matters are stipulated in this Bank Indonesia Circular?

This Bank Indonesia Circular stipulates the following:

- a. General provisions;
- b. Mandatory price quotation for goods and/or services in Rupiah;
- c. Application of the mandatory use of Rupiah for strategic infrastructure projects which are agreed in writing;
- d. Application of the mandatory use of Rupiah for non-cash transactions by business undertaking with particular characteristics;
- e. Reports related to the use of Rupiah within the Territory of the Republic of Indonesia.
- f. Oversight of compliance with the use of Rupiah within the Territory of the Republic of Indonesia.
- g. Correspondence;
- h. Other provisions;
- i. Procedure for imposition of sanctions;
- j. Transitional provisions; and
- k. Concluding provisions.

4. What is the underlying principle in the regulations for mandatory use of the Indonesian Rupiah within the territory of the Republic of Indonesia?

Mandatory use of Rupiah within the territory of the Republic of Indonesia is based on the principle of territoriality. All transactions within the territory of the Republic of Indonesia, whether by residents or non-residents, in cash or in non-cash transactions, as long as they are conducted within the territory of the Republic of Indonesia, must use Rupiah.

5. Can transactions and payments be treated separately?

Transactions and payments constitute an integral part. When a transaction is conducted within the territory of the Republic of Indonesia, its payment must also be received in the Indonesian Rupiah.

For example:

Company A, a foreign shipping line, uses port services in Indonesia provided by PT B. Company A may make payment in cash through an agent using the Indonesian Rupiah or by transfer using its home country currency. If payment is made by transfer, PT B must receive the payment from Company A in Rupiah.

6. What transactions may be conducted using foreign currency?

In the Bank Indonesia Circular, the transactions for which use of foreign currency is permitted are as follows:

- a. particular transactions for implementing the state budget;
- b. receiving grants from abroad or providing grants abroad;
- c. international commercial transactions;
- d. deposits at banks in foreign currency; or
- e. international financing transactions,

and transactions conducted in foreign currency on the basis of legislated provisions, which cover the following:

- a. business activities in foreign currency conducted by banks on the basis of the laws governing the banking activities and sharia banking activities;
- b. transactions in securities issued by the Government in foreign currency on the primary market and secondary market, pursuant to the laws governing government securities and sharia-compliant government securities; and
- c. other transactions in foreign currency that are conducted on the basis of laws.

7. What kind of transactions for implementing the state budget are permitted to use foreign currency?

Particular transactions for implementing the state budget, including:

- a. servicing of foreign debt;
- b. servicing of domestic debt denominated in foreign currency;
- c. goods purchases from overseas;
- d. capital purchases from overseas;

- e. state budget receipts originating from sale of government securities denominated in foreign currency; and
- f. other transactions for operation of the state budget, such as tax payments, visa on arrival and non-tax revenues;

8. What transactions for receiving grants from abroad or provision of grants abroad are permitted to use foreign currency?

Grants received from abroad or provided abroad are permitted to use foreign currency if either one of the beneficiary or donor of the grant is domiciled overseas. If the beneficiary and donor of a grant are domiciled in the territory of the Republic of Indonesia, the grant must be made with use of the Indonesian Rupiah.

9. What international commercial transactions are permitted to use foreign currency?

International commercial transactions that are permitted to use foreign currency include:

- a. exports and/or imports of goods from or to territory outside the customs area of the Republic of Indonesia; and/or
- b. crossborder trade in services conducted by the following means:
 - 1. crossborder supply. The definition of crossborder supply includes experts possessing certain expertise assigned by their head office overseas to work in Indonesia; and
 - 2. consumption abroad, for example, Indonesian citizens who study abroad or who undergo hospital treatment abroad.

10. What foreign currency deposits at banks are permitted to use foreign currency?

Deposits held at Banks in foreign currency, such as foreign currency savings deposits, foreign currency time deposits or foreign currency demand deposits.

11. What international financing transactions are permitted to use foreign currency?

International financing transactions in which one of the parties is domiciled abroad, such as lending by bank outside Indonesia to a customer in Indonesia.

If the party providing international financing is a bank, it is necessary to comply with the provisions governing foreign currency transactions against the rupiah between banks and foreign parties.

12. Are funds transfers in foreign currencies from individuals in Indonesia to overseas parties that are not intended for payment or settlement of obligations incurred by transactions within the territory of the Republic of Indonesia required to use the Indonesian Rupiah?

The mandatory use of Rupiah does not apply to funds transfers in foreign currencies from individuals in Indonesia to overseas parties that are not intended for payment or settlement of obligations incurred by transactions within the territory of the Republic of Indonesia.

13. What banking business in foreign currency is permitted to use foreign currency?

Business activities in foreign currency conducted by banks pursuant to the laws governing the banking activities and sharia banking activities, including but not limited to:

- a. credit in foreign currency for export business and other activities;
- b. interbank money market in foreign currency;
- c. bonds in foreign currency;
- d. subordinated debt in foreign currency;
- e. sale and purchase of securities in foreign currency; and
- f. other banking transactions in foreign currency prescribed in the laws governing banking activities and sharia banking activities including their implementing regulations.

This definition of business in foreign currency also includes fees charged by banks for conducting such activities.

14. What kind of transactions in securities issued by the Government are permitted to use foreign currency?

Transactions in securities issued by the Government in foreign currency on the primary market and secondary market, pursuant to the laws on government securities and sharia-compliant government securities, are permitted to use foreign currency.

For example:

Transactions in global Islamic bonds (sukuk) issued by the Government in foreign currency.

15. What transactions may be conducted in foreign currency as stipulated in law?

Laws governing other transactions in foreign currency include but are not limited to the Bank Indonesia law, the investment law, the funds transfer law and the Indonesia Exim Bank law.

Transactions that may be conducted in foreign currency as stipulated in law are of the nature of transfers and repatriation in foreign currency, including but not limited to capital, profit, bank interest, dividends and other income, additional funds required for financing investment, etc., in accordance with the provisions set forth in Article 8 paragraph (3) of Act Number 25 of 2007 concerning Investment.

Also permitted are funds transfers in foreign currency by Funds Transfer Providers under the provisions set forth in Article 2 of Act Number 3 of 2011 concerning Funds Transfers.

16. Is it permitted to decline Indonesian Rupiahs presented for the purpose of payment or for settlement of obligations that must be fulfilled in the Indonesian Rupiah and/or for other financial transactions within the territory of the Republic of Indonesia?

All parties are prohibited from declining Indonesian Rupiahs presented for payment or for settlement of obligations that must be fulfilled in the Indonesian Rupiah and/or for other financial transactions within the territory of the Republic of Indonesia.

For example:

a provider of goods and/or services is prohibited from declining to accept Rupiah from a buyer of goods and/or user of services.

Nevertheless, this prohibition is waived in the following instances:

- a. the authenticity of Indonesian Rupiah received for a cash transaction is in doubt; or
- b. the payment or settlement of obligations in foreign currency has been agreed in advance in writing.

17. Is it permitted to use foreign currency for a transaction if contractually agreed in writing?

In principle, all parties are required to use the Indonesian Rupiah in all transactions within the territory of the Republic of Indonesia and are prohibited from declining Rupiahs when presented for the purpose of payment or to settle obligations that must be fulfilled in the Indonesian Rupiah.

Nevertheless, a party may decline to accept the Indonesian Rupiah on the grounds that payment or settlement of obligations in foreign currency has been contractually agreed in writing. Such agreement in writing may only be made for:

- a. transactions exempted from the mandatory use of Rupiah; or
- b. transactions in relation to strategic infrastructure projects and approved by Bank Indonesia in accordance with Bank Indonesia regulations. Designation as strategic infrastructure project shall be proven by means of a written declaration issued by the competent ministry or agency.

B. PRICE QUOTATION FOR GOODS AND/OR SERVICES

18. Is it permitted to quote prices for goods and/or services in foreign currency?

All business undertakings within the territory of the Republic of Indonesia must provide price quotation for goods and/or services only in Rupiah and are prohibited from providing price quotation for goods and/or services simultaneously in Rupiah and foreign currency (dual quotation).

Examples of prohibited dual quotation:

Shop A quotes the price of a computer at Rp 15,000,000.00 and USD1,500.00 simultaneously.

Mandatory quotation and the prohibitions contemplated here apply, among others, to the following:

- a. price labels, such as price labels affixed to merchandise;
- b. fees, such as agent fees in property sales, tourism services and consultant services;
- c. rental charges, such as leases for apartments, houses, offices, buildings, land, warehouses and vehicles;
- d. tariffs, such as tariffs for loading and unloading containers in port or tariffs for air and cargo transportation;
- e. price lists, such as price lists on restaurant menus;
- f. contracts, such as pricing clauses or costs stated in a contract or agreement;
- g. quotation, ordering and invoicing documents, such as price clauses set forth in invoices, delivery orders, purchase orders; and/or
- h. proof of payment, such as prices listed on a receipt.

19. What about prices quoted for goods and/or services in electronic media?

The obligation and prohibition related to quoting prices for goods and/ or services in Rupiah shall also apply to quoting prices for goods and/or services in the electronic media.

C. STRATEGIC INFRASTRUCTURE PROJECTS

20. What infrastructure projects may be categorised as strategic infrastructure projects eligible for exemption from the mandatory use of Rupiah?

Infrastructure projects include projects as follows:

- a. transportation infrastructure, consisting of airport services, provision and/or operation of port services, and rail infrastructure and facilities;
- b. road infrastructure, consisting of toll roads and toll bridges;
- c. irrigation infrastructure, consisting of channels for conveyance of raw water;
- d. clean water infrastructure, consisting of raw water intake plants, pipelines, distribution networks and water treatment plants;
- e. sanitation infrastructure, consisting of sewage treatment plants, collector networks and main sewers, and municipal waste disposal with the use of conveyances and disposal site;
- f. telecommunications and informatics infrastructure, consisting of telecommunications networks and e-government infrastructure;
- g. electricity infrastructure, consisting of power plants including development of geothermal electricity, transmission and distribution of electricity; and
- h. oil and natural gas infrastructure, consisting of crude oil and natural gas pipelines and distribution networks.

The above-mentioned infrastructure projects may be exempted from use of the Indonesian Rupiah if:

- a. declared by the central government or a regional government to be a strategic infrastructure project, as substantiated by a declaration from the competent ministry/agency to the project owner; and
- b. approved by Bank Indonesia for exemption from mandatory use of Rupiah.

21. What is considered by Bank Indonesia when approving an application for a strategic infrastructure project?

When granting approval, Bank Indonesia will consider matters such as sources of project financing and the impact of the project on macroeconomic stability.

22. What is the scope of exemptions from the mandatory use of Rupiah in strategic infrastructure projects?

Approval may be granted by Bank Indonesia for exemption from use of Rupiah in a strategic infrastructure project for:

- a. transactions for construction of strategic infrastructure projects until the construction work on the project is completed; and/or

- b. transactions for sale of products or services provided by a strategic infrastructure project for the duration of a specified period, provided that the sale of the products and/or services has been contractually agreed from the beginning of development of the project.

23. How should an application be submitted for an infrastructure project implemented by a consortium?

If a project is implemented by a consortium, the application may be submitted by one of the consortium members on behalf of and in the name of the consortium or may be submitted jointly by the consortium members.

24. What is the procedure and process for applying for strategic infrastructure projects to be exempted from mandatory use of the Indonesian Rupiah?

- a. The applicant shall submit the application in writing to Bank Indonesia.
- b. The application must be supported by the following documents:
 - 1) documents attesting to the legality of the applicant, such as deed of incorporation and articles of association of a company, including any amendments thereto, statement of domicile and enterprise profile;
 - 2) declaration from the competent ministry or agency, stating that the project being undertaken is a strategic infrastructure project;
 - 3) where an application is submitted by a contractor, the declaration concerning the strategic infrastructure project may comprise a photocopy of the declaration referred to in letter b, accompanied by a recommendation stating that:
 - a) the project being undertaken comprises part of a strategic infrastructure project; and/or
 - b) the implementation of the project requires foreign currency for procurement of goods and/or services originating from outside the Territory of the Unitary State of the Republic of Indonesia;
 - 4) photocopy of the written agreement stating that payment shall be made in foreign currency, authenticated by the applicant.
- c. For the purpose of processing an application, Bank Indonesia may request additional information and/or documents and conduct examinations related to the application submitted by the applicant, such as examination at the project location.
- d. Bank Indonesia will issue approval or rejection in writing of the submitted application no later than 30 (thirty) days after receipt of the complete application.
- e. Bank Indonesia will inform an applicant in writing if additional time is needed beyond the 30 (thirty) day period for processing the application.

D. APPLICATION OF THE MANDATORY USE OF RUPIAH FOR NON-CASH TRANSACTIONS BY BUSINESS UNDERTAKING WITH PARTICULAR CHARACTERISTICS

25. What does Bank Indonesia consider when establishing a specific policy for an issue encountered by a business undertaking with particular characteristics in regard to mandatory use of Rupiah?

In establishing a specific policy, Bank Indonesia will consider factors including but not limited to the following:

- a. readiness of business undertakings, including but not limited to cases where the mandatory use of Rupiah requires fundamental changes in the systems and/or business processes of certain lines of business and/or business undertakings;
- b. continuity of business, including but not limited to cases where mandatory use of the Indonesian Rupiah that is introduced immediately without sufficient transition period may affect business survival;
- c. investment activity, including but not limited to cases where business requires financing in foreign currency for a defined period and immediate mandatory use of Rupiah may disrupt the investment concerned; and/or
- d. business with significant impact on national economic growth.

26. Are there any other considerations?

Aside from taking account of these factors, Bank Indonesia will also consider the compliance of the business undertaking with Bank Indonesia regulations, including but not limited to mandatory receiving of export proceeds and application of prudential principles in management of non-bank corporate external debt.

E. REPORTS RELATED TO USE OF THE INDONESIAN RUPIAH

27. Does Bank Indonesia request reports related to mandatory use of the Indonesian Rupiah?

Bank Indonesia has the authority to request reports, information and/or data from any party concerned with implementing the mandatory use of Rupiah.

28. What obligations does a party have when reports are requested by Bank Indonesia?

All parties must submit reports, information and/or data to Bank Indonesia, attaching supporting documents, if so requested by Bank Indonesia.

F. OVERSIGHT AND IMPOSITION OF SANCTIONS RELATED TO MANDATORY USE OF THE INDONESIAN RUPIAH

29. What oversight activity is conducted by Bank Indonesia in relation to mandatory use of Rupiah within the Territory of the Republic of Indonesia?

Bank Indonesia performs on-site examination and off-site supervision to oversee the compliance of all parties in implementing the mandatory use of Rupiah and mandatory quoting of prices for goods and/or services in Rupiah. On-site examination will take place through inspections that may be carried out at any time by Bank Indonesia. Off-site supervision will be carried out by analysis and evaluation of reports provided by all parties concerned.

30. What about on-site examinations conducted by Bank Indonesia?

When conducting on-site examination, Bank Indonesia may request the examined party to provide examiners with, among others:

- a. financial statements, transaction data and supporting data;
- b. access to conduct observations of operational activities and physical facilities pertaining to the business of that party; and/or
- c. information about transactions and activities related to mandatory use of Rupiah provided by competent and authorised parties when the examination is conducted.

31. What about imposition of sanctions on parties infringing the mandatory use of Rupiah and/or quotation for goods and/or services within the Territory of the Republic of Indonesia

Any party infringing the mandatory use of Rupiah within the territory of the Republic of Indonesia shall be liable to sanctions, subject to the following provisions:

- a. Infringement of mandatory use of Rupiah for cash transactions and/or prohibition on declining Rupiah for cash transactions shall be liable under the criminal provisions as referred to in Article 33 of Act Number 7 of 2011 concerning Currency.
- b. Sanctions for infringement of mandatory use of Rupiah for non-cash transactions shall be imposed as administrative sanctions in the form of:
 - 1) written warning;
 - 2) financial penalty prescribed at 1% (one percent) of the transaction value, subject to a maximum penalty of Rp 1,000,000,000.00 (one billion rupiahs); and/or
 - 3) prohibition from participation in payments transactions.
- c. Any infringement of mandatory quotation for goods and services in Rupiah and of obligations to submit report, information and/or data shall be liable to administrative sanctions in the form of written warning.

G. CORRESPONDENCE

32. How should applications, reports and/or correspondence be conveyed to Bank Indonesia?

Applications and report submissions and/or correspondence shall be conveyed to Bank Indonesia in the Indonesian language at the following address:

Department of Payment System Policy and Oversight

Bank Indonesia Office Complex Building D 5th Floor

Jl. M.H. Thamrin No. 2

Jakarta 10350

If the above address changes, Bank Indonesia will inform by letter and/or other media.

H. OTHER QUESTIONS

33. How do the implementing regulations apply to written agreements made before 1 July 2015 for payment or settlement of obligations in foreign currency?

The following provisions apply to written agreements made before 1 July 2015 for payment or settlement of obligations in foreign currency:

- a. Written agreement encompasses main agreement, ancillary agreement or other document specifying the transaction to be conducted by the parties, such as purchasing order and delivery order.
- b. Any written agreement comprising a derivative or implementation of a master agreement made after 1 July 2015 or treated as an independent agreement shall be subject to the provisions governing mandatory use of Rupiah within the Territory of the Republic of Indonesia.
- c. Any extension of term and/or amendment to a written agreement executed after 1 July 2015 shall be subject to the provisions governing mandatory use of Rupiah within the Territory of the Republic of Indonesia. Such amendment to written agreement includes but is not limited to the parties in the agreement, prices of goods and/or services and/or subject of the agreement.

34. When did this Bank Indonesia Circular enter into force?

This Bank Indonesia Circular entered into force on 1 June 2015.

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